

Message Text

CONFIDENTIAL

PAGE 01 AMMAN 07520 221040Z
ACTION EB-07

INFO OCT-01 AF-08 NEA-10 ISO-00 CIAE-00 INR-07 NSAE-00
COME-00 INT-05 L-03 FRB-03 OMB-01 ITC-01 SP-02
USIA-06 AGRE-00 AID-05 IO-13 LAB-04 OIC-02 SIL-01
STR-04 TRSE-00 CIEP-01 CEA-01 /085 W
----- 090992 /13

R 220802Z DEC 76
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 9974
INFO AMEMBASSY ALGIERS
AMEMBASSY DAKAR
AMEMBASSY LOME
AMEMBASSY RABAT
AMEMBASSY TUNIS

C O N F I D E N T I A L AMMAN 7520

E.O. 11652: GDS
TAGS: EMIN, JO
SUBJECT: DAKAR MEETING OF PHOSPHATE EXPORTERS

REF: STATE 283462

1. EMBASSY OFFICER TOOK OCCASION ON INTRODUCTORY CALL ON
NEW MANAGING DIRECTOR AND CHAIRMAN OF GOJ ADMINISTRATIVE
COMMITTEE OF JORDAN PHOSPHATE COMPANY, ABD AL-WAHAB MAJALI,
TO DISCUSS ISSUES RAISED REFTEL. MAJALI, IN ADDITION TO
MORE OR LESS CONTINUAL 20-YEAR RELATIONSHIP WITH PHOSPHATE
COMPANY IN NUMBER OF ROLES INCLUDING PREVIOUS SERVICE AS
MANAGING DIRECTOR AND GOVERNMENT APPOINTED CHARIMAN OF BOARD
OF DIRECTORS, HAS ALSO SERVED AS CABINET MINISTER ON EIGHT
OCCASIKONS AND WAS THREE TIMES ELECTED TO LOWER HOUSE OF
JORDAN'S PARLIAMENT (SUSPENDED SINCE NOVEMBER, 1974)

2. ACCORDING TO MAJALI, ALGERIAN AND TOGOLESE REPRESENTATIVES
AT DAKAR PROPOSED CREATION OF PHOSPHATE PRODUCERS CARTEL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 AMMAN 07520 221040Z

ALONG LINES OF OPEC, BUT MOROCCANS AND JORDANIANS WERE
SUCCESSFUL IN PROMOTING ALTERNATIVE OF NON-POLITICAL INTER-
COMPANY ASSOCIATION " OF BUSINESSMEN WITH COMMON BUSINESS
INTERESTS TO PROMOTE." MAJALI SCOFFED AT LONG TERM SUPPLY
CONTRACTS AS UNREALISTIC AT PRESENT SINCE THEY WOULD BE
QUICKLY DISCARDED IN RESPONSE TO SIGNIFICANT MARKET PRICE

FLUCTION.

3. LABOR COSTS HAVING RISEN THREE-FOLD AND WITH PHOSPHATE ROCK PRICES RECENTLY AT OR BELOW PRODUCTION COSTS, SENEGAL IN PARTICULAR (AND AT LEAST JORDAN, AS WELL) IS SUFFERING BADLY FROM SLACK DEMAND. HE SAID, HOWEVER, THAT DEMAND HAS BEEN FIRING AND THAT HE EXPECTS PRICES TO RISE BY AS MUCH AS TEN PERCENT OVER THE NEXT SIX MONTHS. IF MARKET PRICES RISE TOO AND CAN BE MAINTAINED AT ABOUT \$38 US PER TON, JORDAN WILL AGREE TO LIMIT 1977 PRODUCTION TO 2 MILLION TONS (AGAINST 1977 CAPACITY OF 2.4 MILLION TONS) IN ORDER TO HELP STABILIZE PRICES AT THAT LEVEL.

4. OVER THE TERM OF JORDAN'S 1976-1980 FIVE YEAR PLAN JORDAN'S PHOSPHATE ROCK PRODUCTION IS TO INCREASED INCREMENTALLY TO 6.8 MILLION TONS ANNUALLY. OPENING OF NEW MINING SITES, INCREASED BENEFICIATION, HOUSING, WATER, ELECTRICITY AND OTHER INFRASTRUCTURE TO ACCOMMODATE PLANNED EXPANSION IS EXPECTED TO COST ABOUT \$72 MILLION US OVER FIVE-YEAR PERIOD. INVESTMENT FUNDS ARE TO COME FROM COMBINATION OF PHOSPHATE COMPANY RESOURCES AND FOREIGN AND DOMESTIC LOANS.

5. MAJALI AGREES THAT US PRODUCERS HAVE BEEN MARKETING PHOSPHATES AT "ABNORMALLY LOW" PRICES BUT APPEARED UNCONCERNED. HE ATTRIBUTED LOW US PRICE TO OVERINVESTMENT AND OVERPRODUCTION BY US PRODUCERS WHO NOW FIND IT TEMPORARILY NECESSARY TO DUMP PHOSPHATES IN ORDER TO MEET CURRENT EXPENDITURE OBLIGATIONS. BASED ON HIS OWN EXTENSIVE EXPERIENCE IN PHOSPHATE INDUSTRY, HE SAID HE IS CONFIDENT THAT AMERICAN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 AMMAN 07520 221040Z

PRODUCERS WILL HAPPILY FOLLOW ANY PRICE INCREASES AGREED TO BY AFRO-ARAB PRODUCERS. THUS ANY SUCH EFFORTS OF PRODUCERS ASSOCIATION WOULD NOT REQUIRE EXPLICIT COOPERATION FROM AMERICANS FOR THEM TO BE SUCCESSFUL. HE IS ALSO UNCONCERNED ABOUT REACTION OF SOVIETS TO PRICE RISES ENGINEERED BY ASSOCIATION. THROUGHOUT CONVERSATION MAJALI MAINTAINED POSITION THAT PRODUCERS ASSOCIATION WAS NOT TO BE PRICE FIXING CARTEL, BUT RATHER CONSULTATIVE GROUP TO COORDINATE POLICY, EXCHANGE INFORMATION, PROMOTE SALES FOR GROUP AS WHOLE, ENCOURAGE DEVELOPMENT OF TECHNOLOGY, ETC.

6. USUALLY RELIABLE SOURCE CLOSE TO PHOSPHATE COMPANY HAS CONFIDENTIALLY ADVISED US OF ADDITIONAL DETAILS OF PRODUCERS DISCUSSIONS. ACCORDING TO THIS SOURCE, GOJ ADMINISTRATIVE COMMITTEE NOW RUNNING JORDAN'S PHOSPHATE COMPANY WILL DECIDE WITHIN NEXT TWO WEEKS WHETHER OR NOT TO ACCEPT SEVERAL SPECIFIC PROPOSALS THAT MAJALI BROUGHT BACK FROM

DAKAR CONFERENCE AND SUBSEQUENT VISITS TO OTHER CAPITALS. THESE INCLUDE GEOGRAPHICAL MARKET DIVISION, WITH JORDAN RECEIVING EXCLUSIVE ACCESS TO ALL MARKETS EAST OF RED SEA, DIVISION OF TOTAL MARKET ON PERCENTAGE BASIS; ESTABLISHMENT OF EXPORT QUOTAS, WITH JORDAN TO LIMIT EXPORTS TO 1.85 MILLION TONS IN 1977 (VICE LEVEL OF 2 MILLION TONS QUOTED BY MAJALI); AND AGREEMENT FOR PRODUCERS GROUP TO ENFORCE PRICE INCREASES OF 5-10 PERCENT SEMI-ANNUALLY. REGARDING PRICE INCREASES, OUR SOURCE AGREES WITH MAJALI THAT IN COMING SIX MONTHS MARKET FORCES ARE LIKELY TO INCREASE PRICES 5-10 PERCENT WITHOUT ANY INTERVENTION.

7. APPARENTLY, SOME MEMBERS OF BOARD WILL OPPOSE COOPERATION WITH PRODUCERS CARTEL ON BASIS THAT PHOSPHATE ROCK IS SUFFICIENTLY DIFFERENTIATED SO THAT JORDANIAN ROCK CAN AND SHOULD COMPETE AGAINST OTHER AFRO-ARAB PRODUCERS AS ESSENTIALLY DIFFERENT COMMODITY. ARGUMENT RUNS THAT BY MEANS OF ATTRACTIVE PRICING, CONSUMERS COULD BE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 AMMAN 07520 221040Z

ENCOURAGED TO DESIGN PROCESSING FACILITIES FOR JORDANIAN ROCK THAT ONLY WITH GREAT DIFFICULTY, TIME LOSS, AND EXPENSE COULD LATER BE CONVERTED TO PROCESS PHOSPHATES FROM OTHER SOURCES. HOWEVER, EMBASSY ALSO RECALLS REPORT OF ALMOST A YEAR AGO THAT MOROCCANS PROPOSED MARKET SHARING SCHEME TO JORDAN, SCHEME WAS ALLEGEDLY REJECTED ONLY BECAUSE JORDAN WAS NOT SATISFIED WITH PERCENTAGE OF MARKET OFFERED AND MEANS OF COMPUTING ANNUAL PRODUCTION INCREASE THAT WOULD HAVE BEEN ALLOWED. PICKERING

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, PHOSPHATES, EXPORTERS, CARTELS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976AMMAN07520
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760469-0635
From: AMMAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761218/aaaaappt.tel
Line Count: 149
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 283462
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2004 by ifshinsr>; APPROVED <07 OCT 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DAKAR MEETING OF PHOSPHATE EXPORTERS
TAGS: EMIN, JO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006